

**BOARD OF APPRAISAL
MINUTES OF THE
REGULAR BOARD MEETING
July 19th, 2013 8:30 A.M.**

Call to order and roll call

The meeting was called to order by Mike Petrus, Vice-Chairman at 8:30 a.m.

Those Board members present at roll call:

Mike Petrus, Vice-Chairman

Jeff Nolan

Erik Clinite

James Heaslet

Frank Ugenti

Joe Stroud (appeared telephonically)

Staff Attendance:

Debra Rudd, Executive Director

Jeanne Galvin, Assistant Attorney General

Nancy Inserra, Staff

Pledge of Allegiance and Approval of the Minutes

After the pledge of allegiance, Mike Petrus asked for a motion to approve the minutes of the June 14th Board meeting. James Heaslet motioned to approve the minutes, and Frank Ugenti seconded the motion. All voted to approve the minutes, with Erik Clinite abstaining from the vote as he had left the meeting prior to its end.

The Vice-Chairman discussed how he would call the items on the agenda in order of those that had signed in or who had a scheduled time to be heard. He then called the first case for review.

Initial File Review for Case 3566, James Heaslet

The Respondent was present. Debra Rudd read the board summary into the record at the request of the Vice-Chairman. The Complainant is the homeowner who alleges that the appraiser over-valued the property they purchased by using comparables that were located in a superior area in order to support the contract price. The owners provided additional comparables that they believe would have resulted in a lower indication of value. This property is a single family residence in Phoenix that was appraised in April, 2013. Respondent's reply to the Board stated that he does not target values and provided assignment statistics that reflect value conclusions other than the contract price in 57% of the purchase transaction appraisals completed. Mr. Heaslet reports that the comparable sales provided by the Complainants were not used in the appraisal assignment due to their older date of sale or distressed nature. James Heaslet defended his report but acknowledged that he had made a mistake in overlooking an adjustment to the golf course lot on Comp 4. However, he stated that he had only given this comparable 10% weight. Frank Ugenti questioned him about not seeing this when he drove by the

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comparable. He stated that it was a gated community and thus had to use the MLS photo. He further acknowledged that he should have made the adjustment and disclosure but he had not. Mike Petrus questioned him about the alleged use of comparables in superior locations. James Heaslet provided data in his work file that indicated his research results indicated that on a price per square foot basis they were not in superior locales. Mike Petrus reported that the investigative report stated the same thing; they were not in superior locations. He further stated that the investigative report indicates sales concessions were present on a couple of the comparables but that Mike Petrus disagreed with the investigator about this particular finding. He pointed out a typo in the investigative report on pages 9 and 10 regarding a comment that there was a sales concession on the subject that had not been adjusted (subject was listed for less than the sales price). Mike Petrus pointed out that you do not adjust the comparables for the subject's sales concession, you just report it. Frank Ugenti asked about the refrigerator that was personal property, not built in, and that James Heaslet had checked the box which indicates to him that it was not personal property. He believed that was in error, but that it is a minor point that would not rise to any significant change in the report. Jeff Nolan questioned James about the greenbelt open space, and if there was any difference that he found in value for this item. James reported that his research did not show a difference. Joe Stroud asked about the difference in lot sizes. James Heaslet responded that the difference in lot sizes differences of 1,500 square feet were too small for the market to show a difference. He then questioned James about the condition adjustments. James explained differences in counter tops, shutters, etc. Frank Ugenti explained about the UAD language for Fannie Mae reports and that this type of adjustment was allowed. Further discussion resulted in Mike Petrus motioning to find a Level 1, offering a Letter of Concern for 1-1(a) lack of adjustment on comparable 4. Erik Clinite seconded the motion. All voted in favor of the motion.

Joe Stroud left the meeting, but a quorum remained.

Initial File Review for Case 3559, Thomas Peck

The Respondent was present. The Complainant is a lender (Flagstar Bank) who had the Respondent's appraisal reviewed retrospectively. The reviewer concluded to a value significantly lower than the original appraisal and noted that it was unnecessary to expand the search for comparables when there were sales within the subject development that were overlooked. The Complainant acknowledges that due to the date of report, USPAP does not require the Respondent to retain his workfile. Nonetheless, they respectfully request that the Board process this complaint properly. This is on a single family residence in Scottsdale that was appraised in 2007. The Respondent's reply to the Board stated that due to the effective date of appraisal, the Respondent no longer has possession of his workfile. The Respondent states that his choice of comparable sales represented the best available data at the time and that the reviewer's comparables were dated and inferior. Mike Petrus reported that he had reviewed the case and found no violations. Frank Ugenti stated that due to the age of the report he thought it should be dismissed. James Heaslet made the motion to dismiss the case due to no violations found and due to the age of the report. Frank Ugenti seconded the motion. All voted in favor of the motion.

Initial File Review for Case 3563, Theodore J. Brennen

Respondent and the Complainant were both present. Debra Rudd read the Board summary into the record. This is on a single family residence located in Casa Grande that had an effective date of value in April, 2013. The Complainant is a Realtor who alleges that the appraiser failed to produce a credible appraisal due to multiple errors and a poor choice of comparable sales. Specific allegations include incorrect MLS numbers for comparable sales, wrong subject photograph and utilizing sales from an inferior neighborhood. The Respondent stated in their reply to the Board that the comparables were adjusted appropriately and support his opinion of value. Mr. Brennen reported that the alternative sales provided by the Complainant were in superior locations and that his refusal to use them in his report resulted in a retaliatory complaint. Board members questioned the Respondent about the comparables selected and the mistakes that were made in the report. He defended his report but acknowledged that he had included the wrong subject photo on the cover page of the report, but it had been corrected as soon as it was brought to his attention. Additional discussion by Frank Ugenti included the validity of including the number of sales that are not really comparable to have a large enough database to show trends for those listed on the top of page 2 in the URAR report. Mr. Ugenti pointed out that the form clearly states it is only for comparable sales and listings to be shown in this section of the report. Other items that were discussed included using short sales (James Heaslet reported recent short sales may be selling for higher than expected than was seen a couple years ago). Mike Petrus pointed out that there was no functional obsolescence noted in the Cost Approach for the cost of the pool not being recovered in the market. Mr. Brennen admitted that this was a mistake that he usually puts functional depreciation for this item in the Cost Approach. Mike Petrus stated that he believed the Respondent answered the questions and that it is not a matter of credibility on the report. Frank Ugenti made the motion to dismiss. James Heaslet seconded the motion. The motion carried unanimously.

Compliance File Review for Case 3523, Morris Williams

The Respondent and Complainant were both present. Debra Rudd read the Board summary into the record. This case was before the Board as an Initial File Review at the May 17 meeting. The complaint alleges that the appraiser inaccurately reported the square footage of the home, relied upon improper comparables of lesser quality and failed to identify pertinent features of the property. The Respondent was present at the May meeting to answer questions. The Board voted to send the investigator who is familiar with the Payson market; out to see the subject and sales used in the report, and report the findings to the Board. The investigator's report was revised after visiting the property and measuring the home. The report indicated verification of Comparables 1 through 3 had indeed closed escrow, and Comparables lot sizes were accurately reported in the appraisal. Comparable 5 is not a single family residence. It has four separately metered areas. The size of the subject's livable area was accurately shown as the room off of the master bedroom used as a spa room is an addition that is accessed with a sliding glass door. It was correctly shown on another line of the report and given value. The Complainant disagreed with this, stating that the location and that it is centrally heated

and cooled would indicate that it should have been included in the livable area. Mike Petrus reported that the investigator did look at the alternative comparables provided to the appraiser by the Complainant, and they did determine that these sales were in superior areas. Other items shown in the revised investigator's report included condition adjustments that should have been made to Comparables 1 and 3. Frank Ugenti had concerns about the inclusion of Comp 5 which was a fourplex, not a single family residence. After further discussion, Erik Clinite made a motion to adopt the findings shown in the investigative report, which was in his opinion a Level 1 and to offer a Letter of Concern noting 1-1(a); 1-4(a) and 2-2(viii) violations to USPAP. James Heaslet seconded the motion. All voted in favor of the motion.

Initial File Review for Case 3557, Thomas Baker

The Respondent and Complainant were both present. Debra Rudd read the Board summary into the record. Complaint Summary: The Complainant is the property owner who alleges that the appraiser gave false testimony under oath during court proceedings that resulted in financial damages to the Complainant. This complaint is on a retail office building in Tucson that was appraised in March, 2012. Respondent's Reply Summary: The Respondent states that he was asked to appraise the subject property for the lender and testified to the information he discovered during the course of the appraisal assignment. Board members questioned the appraiser about what his assignment was and then asked the Complainant for his statement. The Complainant pointed out that the building was remodeled without permits and that the appraisal in 2007 was completed by the same appraiser. Mike Petrus informed the Complainant that they will only be dealing with the appraisal that was completed in March 2012, not the 2007 appraisal. The Complainant stated that the testimony made by Mr. Baker was inaccurate as all of the improvements were made after the Certificate of Occupancy and that they were done without permits which substantially affected the value of the building. His false testimony resulted in an overstated value, which cost him and his partner \$100,000. Mr. Ugenti pointed out that they were not here to judge whether he did or did not give false testimony in another court of law. This Board is looking at USPAP violations in the report before them. Upon additional questioning, the Complainant reported that they had hired a professional electrician, but their handyman constructed the partition walls and one of the bearing walls was altered to allow their forklift access. The Respondent pointed out that the same improvements were there when he did the appraisal in 2007 and the correct site plan was included in his report, and it shows approval of this site plan in 1986 with one exception of a work area was converted to a display area, behind the office areas. After additional comments by both the Complainant and Respondent, James Heaslet made the motion to dismiss. Frank Ugenti seconded the motion. The motion carried unanimously.

Compliance File Review Case 3334, Randall S. Lineberger

The Respondent was present. Debra Rudd read the Board summary into the record. At the April 19 Board meeting, the Board voted to request a 12 month appraisal log from the Respondent and for staff to then select 3 appraisals for audit. Three files have been audited for the Board. In the original reply to the complaint, the Respondent indicated that he had never completed an appraisal on the property that was the subject of the

complaint. Discussion from the Board members after reviewing the auditor's report indicated significant violations were found in the three files that were audited which led some of the members to believe that the original appraisal was completed by Mr. Lineberger. However, after James Heaslet made a motion to send all four appraisals to OAH, the motion failed for a lack of a second. Frank Ugenti made a motion to go into Executive Session for legal advice. Erik Clinite seconded the motion. All approved the motion. After coming out of Executive session, additional discussion ensued with questions about the lender Mortgage Pro, for whom the original appraisal was completed. Mr. Lineberger stated that he had done appraisals for this lender whom he stated was a shady character. Frank Ugenti made a motion to offer a consent agreement for the violations cited in the auditor's report regarding the three files that were audited which is a Level III probation with a mentor for six months minimum, 12 minimum reports along with a 15-hour USPAP class with exam, no continuing education. James Heaslet seconded the motion and all approved. They then discussed the original appraisal for Case 3334. Erik Clinite made a motion to dismiss the case without prejudice, to refer it to the mortgage fraud task force and to bring it back before this board if they find cause to do so. Mike Petrus seconded the motion. On a voice vote, the motion was approved with Erik Clinite, Mike Petrus and Frank Ugenti voting aye; Jeff Nolan and James Heaslet voted nay. The motion carried.

Initial File Review for Case 3551, James Nelson

The Respondent appeared telephonically, and the Complainant appeared in person at the meeting. Debra Rudd read the Board summary into the record. Complainant is the property owner who engaged the Respondent to appraise a commercial property in Payson. The Complainant paid the respondent \$3,800 on December 17, 2012, with a promised delivery date of four weeks from the date of payment. After three months and multiple attempts, the appraisal was never completed, nor was the payment returned. Respondent's reply stated that he delivered the appraisal via UPS on February 28, 2013. On April 18, he discovered an old email from the client indicating they had not received the appraisal. At that time, he re-sent the report and the Complainant acknowledged receipt, however, the owner had already engaged another appraiser by that time. The Respondent provided the Board with a copy of the UPS receipt issued in February 2013. UPS does not have a record of the tracking number supplied on the receipt. This was the first review of this file. The Complainant recently responded that she received a completed copy of an appraisal sometime in April 2013, but not before she had already hired another appraiser. After questioning the Respondent and Complainant about what had occurred, the Board deliberated and found that a pattern was evident with the taking fees from clients but not delivering the reports until months later, if at all. They believe that the Respondent is a danger to the public; therefore, Erik Clinite made the following motion:

Based upon the information and evidence presented to the Board today and as set forth in the Interim Findings of Fact and Conclusions of Law, I move that the Board adopt the Interim Findings of Fact and Conclusions of Law.

This was seconded by James Heaslet and unanimously approved by the Board members.

Erik Clinite then made the second motion:

Further, I move that the Board finds that Interim Finding of Fact and Conclusions of Law require emergency action in order to protect the public health, safety and welfare.

This was again seconded by James Heaslet and unanimously approved by the Board members.

Erik Clinite made the third motion:

Given the Board's findings that the Interim Findings of Fact and Conclusions of Law require emergency action in order to protect the public health, safety or welfare, I move that the Board summarily suspend the certification of James R. Nelson, certification no. 30173 effective upon service of the Order.

James Heaslet seconded the motion and the Board unanimously approved.

Erik Clinite then made the fourth motion:

Finally, I move that the Executive Director refer this matter including the findings in the investigative report to the Office of Administrative Hearings to schedule a formal hearing to be commenced as expeditiously as possible from the date of the issuance of this Order.

James Heaslet seconded the motion, and again the Board voted unanimously in favor of it.

Jeanne Galvin then asked the Board what direction she should take at the formal hearing, to either suspend or revoke his certificate. Erik Clinite made the final motion to seek revocation of his certificate. James Heaslet seconded the motion, and the motion carried unanimously. The Board requested that the Respondent supply his physical address to Debra Rudd by the end of the business today to allow service to be given. Respondent agreed to comply.

The Board asked Respondent to stay on the line to hear the next matter on the agenda involving him.

Compliance File Review for Cases 3071/3185/3195/3199 and 3226, James Nelson

The Respondent appeared telephonically. Erik Clinite read the Board summary into the record. This matter was before the Board at the June 14 meeting but tabled as Board was made aware of another complaint filed. (3551) Consent agreement signed 5/13/11. Respondent has submitted education certificates, appraisal log, (mentor not required) provided proof of account with UPS, set up a new email account with Google. Respondent has reportedly not complied with restitution. Respondent reportedly paid

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back \$2500 to title co. No receipt provided. Total restitution per agreement is \$10,250. Per email dated 6/16/13 Respondent has not been able to make restitution to other parties. The Respondent replied that the previous suspension took a toll on his business and that it has taken him this long to start receiving an income again. He acknowledged that he had not been able to make restitution as he offered to do in the consent agreement for these cases. The Board acknowledged that he complied with everything except the restitution. The Board heard from Jeanne Galvin, the Assistant Attorney General that the offer was made voluntarily by Mr. Nelson, but the Board lacks the statutory authority to restitution be done. James Heaslet made a motion to close this matter with prejudice. Erik Clinite seconded the motion. All voted unanimously in favor of the motion.

Initial File Review for Case 3562, Debra M. Perez

The Respondent was present. Debra Rudd read the Board summary into the record. The Complainant is the homeowner who alleges that the appraiser was biased toward the lender and deliberately concluded to a low opinion of market value equal to the loan amount. The Complainant further alleges that the appraiser relied upon comparables of lesser quality and failed to make adjustments for recent upgrades. This is on a single family residence in Surprise that was valued in April, 2013. The Respondent's reply stated that she was not aware of the loan amount nor was she requested to arrive at a predetermined value. Ms. Perez states that the only reason she asked the home owner about the 2010 purchase price is because it was not reported in Maricopa County Assessor records. The Respondent defends the comparable sales used as the best available data at the time of appraisal. James Heaslet questioned the Respondent about the market trends that the appraisal shows as being stable and that he did not find this to be credible during this same time frame. The Respondent defended her report as shown on the 1004MC, and reiterated her market research. James Heaslet pointed to the data that indicate a 16% increase. Frank Ugenti pointed out that the comparables are fairly recent; thus the lack of a time adjustment probably did not impact the value of the subject. Mike Petrus questioned the Respondent about the condition of the comparables versus the subject. A comparison was made between the photos from the prior sale and the current condition of the subject which indicates upgrading was completed. Mike Petrus pointed out the investigator's report the differences between each comparable and the subject's amenities and the appraiser failed to reflect the superior features of the subject. James Heaslet motioned to offer a consent agreement for Level 1 Due Diligence, citing the violations in the investigative report which shows 1-1(a); 1-4(a); and 2-2; with a 7-hour class on Market Trends, no continuing education allowed, and class to be completed within six months. Mike Petrus seconded the motion. All voted in favor of the motion.

Compliance File Review for Cases 1782–1784, Felicia Coplan

The Respondent and her attorney Tina Ezell were present. This matter was before the Board for discussion, consideration and possible action following Respondent's request for termination of probation and audit of files. The audit of the files indicated no significant problems or USPAP violations with the current appraisals that were audited. Erik Clinite motioned to terminate probation and mentorship, and Frank Ugenti seconded the motion. All approved the motion.

Old Business for Case 3507, Robert Nixon

The Respondent appeared telephonically. This matter was back before the Board to confirm and clarify the consent agreement offered to him does require him to be under probation with mentorship for six months for every report he completes, not just 12 reports, which is shown as the minimum number of reports he must complete. That being the consensus the Board's understanding of the case, they then offered the Respondent two additional weeks to sign the consent agreement.

Informal Hearing on Case 3545, Ardeth L. Fair

The Respondent was present. Mike Petrus reported that this case was before the Board as an Initial File Review at the June 14 meeting. The Board voted to invite the Respondent to an informal hearing to address comparable selection and the Cost Approach. After reading the introduction to Informal Hearing, the Respondent questioned where to place on the report the lack of return of the cost to construct the improvements in the Cost Approach. James Heaslet replied that it was external depreciation. Additional discussion about the Cost Approach class she had taken online ensued. She admitted that she made a mistake in this report by not putting a statement in regarding the cost not being recovered by the market. Board members pointed out that if the Cost Approach is not credible she should not include it. She would still need to explain that she considered the approach, but for reasons stated it was considered to not produce credible results. Mike Petrus made a motion to offer a Level 1, Letter of Concern for the items noted in the investigator's report. Frank Ugenti seconded the motion. All voted in favor of the motion.

Initial File Review for Case 3556, Roger L. Dunlap

The Respondent and Complainant were present. Debra Rudd read the Board's summary into the records. This is on a single family residence in Yavapai County that was appraised in February, 2012. The Complainant is the property owner who alleges that the appraiser inaccurately valued her property for a partial acquisition by comparing her commercial site to residential land sales. Respondent's reply summary stated that the subject property was formerly used as a commercial business with a special use permit. The commercial entity has not been in operation for some time, and the use permit has expired. The subject site is zoned residential and can no longer be used for commercial purposes. As a result, Mr. Dunlap states that his use of residential comparables is appropriate. The Respondent corrected the Board summary that it was not by a special use permit, but had a legal non-conforming use which expired before the Complainant purchased the property. The Complainant maintained that her property is commercial and that it is being taxed as commercial use. Further discussion by the Board resulted in James Heaslet making a motion to dismiss this case. Mike Petrus seconded the motion. All approved with the exception of Frank Ugenti who voted against the motion. The motion carried.

Compliance File Review for Case 3417, Jay Lundberg

The Respondent was present. Mike Petrus read the Board summary into the record. Respondent is requesting the termination of probation and mentorship. Respondent has been under probation with compliance education and mentorship since 8/23/2012. Compliance education included 15-hour USPAP with an exam and a 7-hour 2012-2013 USPAP update course. The 15-hour course may not be included towards continuing education for renewal. Respondent also required submitting monthly appraiser and

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mentor logs with a minimum of 12 reports. Three appraisal files have been audited for the Board. After asking a couple of questions of the Respondent regarding the land value in the audited files, Mike Petrus made a motion to terminate probation and mentorship and for staff to send a copy of the auditor's report to the Respondent. Jeff Nolan seconded the motion. The motion was approved unanimously.

2:00 p.m. Joe Stroud rejoined the meeting telephonically.

Compliance File Review for Case 3422, Douglas LaRocca

The attorney, Nathan Wright, appeared to represent the Respondent who was not in attendance at this meeting. Mike Petrus read the Board summary into the record. At the April 19 Board meeting, the Board voted to find a Level III violation noting those items found in the investigator's report along with the ethics competency violation. The discipline offered is to restrict his practice to non-residential review (including field reviews) in Arizona. The Board amended the motion to refer the respondent to Formal Hearing if the respondent did not accept the offer. On June 13, a counteroffer was received from Respondent's attorney acknowledging that the reviews contained some technical deficiencies. Although not relevant to valuation of the subject properties, that as a condition to renewing Respondent's Arizona Certified General Appraisal License in October 2013, Respondent be required to take a 15-hour USPAP without exam, and that no other disciplinary action should be taken against Respondent at this time. Mr. Wright presented his case to the Board. The Board's discussion resulted in Frank Ugenti making a motion to deny the counteroffer. James Heaslet seconded the motion and all voted in favor. Jeanne Galvin then asked the Board if they wanted to reoffer him the consent agreement. James Heaslet then motioned to reoffer the consent agreement that was previously offered by the Board, giving him 30 days to sign. Frank Ugenti seconded the motion. The Board all voted in favor of the motion.

2:05 p.m. Erik Clinite left the meeting and a quorum remained.

Initial File Review for Case 3548, Nicholas A. Lundbech

The Respondent was present. Debra Rudd read the Board summary into the records. This is on a single family residence located in Tempe that was appraised in March, 2012. The Complainant is the lender who had the appraisal reviewed retrospectively. The Complainant alleged that the appraiser overvalued the subject property by choosing comparable sales from outside of the subject market in superior locations. The written reply from the Respondent stated that the subject was a unique property with exceptional interior finish. Due to the unique nature of the improvements, it was necessary to expand the search for comparables to other neighborhoods that offer a similar type homes. The Respondent noted that he analyzed the comparables, but did not conclude location adjustments were warranted. Discussion by the Board and the Respondent included a selection of comparables around this unique location across the street from Gammage Theater and Arizona State University. Further discussion about the quality of construction and appeal for this property resulted in the Respondent deciding to leave the area and find similar quality built homes and then to try to determine locational

differences. He searched for sales when the subject had previously sold and also sales from that time period in the areas of the Central Corridor and Arcadia where he selected the comparables for the current appraisal. This was completed to find any locational adjustments that might be applicable. He then applied the appropriate location adjustments if any were warranted after doing this analysis. Mike Petrus made a motion to dismiss. Joe Stroud seconded the motion. The Board unanimously approved the motion.

Compliance File Review for Case 3441, Kurt Goeppner

The Respondent appeared telephonically at the meeting. Debra Rudd read the Board summary into the records. This complaint was placed on the June 14 agenda under Compliance File Review but tabled to allow for the respondent to appear telephonically. Respondent did not sign the Consent Agreement and Order for Voluntary Suspension (for 90-days). Respondent sent a counteroffer stating the following: The Board of Appraisal issue a Letter of Concern, the Respondent agrees not to seek an Arizona appraisal license for the next two years, and that Respondent agrees to abide by all laws. License Expires: 7/31/2013. When questioned, the Respondent answered that he had not applied for his license to be renewed, and he was no longer appraising in the State of Arizona. Jeanne Galvin explained to the Board that they had three options, to accept the counteroffer, to deny the counteroffer and let his license expire taking no additional action, or to go forward to the Office of Administrative Hearings for voluntary suspension. If 'no action' were taken, the discipline would not be reported. Debra Rudd explained that this case initiated after the statute changed in 2011; thus the Board has two years to adjudicate the case even if his license expires. Joe Stroud stated that since the Board found a Level IV violation, he believed the Board should take action on it. James Heaslet made a motion to deny the counteroffer and reoffer the consent agreement. If he does not accept the consent agreement within 30 days, to direct staff to move this case to a formal hearing at the Office of Administrative Hearings. Frank Ugenti seconded the motion. The motion passed unanimously.

Old Business for Case 3561, Joseph Delaney

The Respondent and Complainant were present. Debra Rudd read the Board summary into the record. At the June 14, 2013 Board meeting, the Board voted to dismiss this complaint finding no violations of the Uniform Standards of Professional Appraisal Practice, The Arizona Statutes, or the Board Rules. Since that Board meeting, staff was provided with additional information. The item was placed on the July 19, 2013 agenda, under Old Business, for reconsideration due to the additional information received by the Board on 6/21/13. As of 6/21/13 the Respondent had not revised any of the information being disputed in the original complaint. After Respondent was notified via letter and email dated 6/24/13 that this item would be placed back on the Board Agenda under Old Business, Respondent sent an email dated 6/25/2013 indicating that he had removed the information from his website. Staff visited the Respondent's website, and the information that was the basis of the original complaint is no longer on the website. The Respondent stated that he had two websites. After being notified of the complaint, he directed the webmaster to change the website. He did not realize that one of the websites had not been changed. The Complainant pointed out that he had never been a member of the

organizations shown on the website (AI and NAIFA) and that the letters he shows after his name are meaningless and misleading. This violates USPAP Ethics as shown in lines 260 and 261 of the 2012-13 USPAP book, as misleading advertising. Frank Ugenti motioned to offer a Level 1 Letter of Concern recognizing that his website had false information but that he has already changed his website and that going forward his website will accurately reflect his credentials. Jeff Nolan seconded the motion. On a voice vote, the following votes were noted: Jeff Nolan – Aye; Frank Ugenti – Aye; Mike Petrus – Aye; James Heaslet – No; Joe Stroud – No. The motion carried 3 to 2.

Initial File Review for Case 3544, James Graham

The Respondent was not present. Debra Rudd read the Board summary into the record. This is on a single family residence in Flagstaff that was completed in October 2012. The complainant is the property owner who alleges that the appraiser grossly undervalued his property and refused to consider valid market data that was supplied by the complainant. The Respondent's written reply stated that the Complainant rents his duplex to foreign exchange students under a special program and that the rents received under this program are significantly above market. The appraiser utilized market rents in his analysis which resulted in a lower value than the owner needed for his refinance. Mike Petrus stated that the report demonstrates a lack of competency on the part of the appraiser. Frank Ugenti noted the proximity to Northern Arizona University, which should have alerted the appraiser to look for similar type properties or at least to discuss the location. James Heaslet made a motion to accept the findings shown in the investigator's report and Frank Ugenti seconded the motion. All voted in favor of the motion. James Heaslet then asked about the prior complaints that this appraiser had and if any of them had similar issues. Nancy Inserra answered that none of the complaints involved multi-family residences. She then reported on the two cases that he previously had violations found. James Heaslet then made a motion to invite the Respondent to Informal Hearing. Frank Ugenti seconded the motion. All approved the motion.

Initial File Review for Case 3558, Jamie Stellos

The Respondent was not present. Debra Rudd read the Board summary into the record. The Complainant is an appraiser who alleges that the Respondent is a Certified General Appraiser in California but had accepted a desk review assignment on a property located in Arizona without being licensed in this state. The Respondent's written reply stated that he was engaged as a reviewer by Vibra Bank to consult in appraisal operations and compliance issues. During a series of emails between himself and the Complainant, he was made aware of Arizona Statute that prohibits non-Arizona-licensed appraisers from performing appraisal assignments in Arizona. The Respondent states that although he had an Arizona application in the process at the time (4/24/2013), he withdrew from the assignment nonetheless. Arizona Board of Appraisal records indicate that the Respondent's application was received on 4/10/2013 and was approved on 5/6/2013. When questioned about whether an appraisal was ever completed by the Respondent, Debra Rudd reported that she was not aware of any appraisal review being done. James Heaslet then made a motion to dismiss the complaint. Mike Petrus seconded and the Board unanimously approved the motion.

Compliance File Review for Case 2952/3301, Keith Holmes

The Respondent was not present. Debra Rudd read the Board summary into the record. This is before the Board for possible non-compliance with a Letter of Due Diligence signed on 6/29/2012 which required Respondent to complete a 15-Hour Report Writing Course with exam, no Continuing Education, and a 7-hour 2012-2013 USPAP Update course, to be completed in 6 months. Respondent has completed the 7-hour USPAP Update course. Per an email dated 5/14/13, Respondent indicates he has taken the 15-hour Report Writing class but needs to complete the proctored exam. He stated that he lives in a small town and has difficulty with scheduling the exam. Staff gave him until 6/14/13 to complete the proctored exam. Staff received an email on 6/21/13 that indicated he still needs to take the exam. License Expires: 11/30/2014. He took the 15-hour USPAP class, not the 15-hour report writing class. Mike Petrus made a motion to extend this action for 30 days to have staff contact him to take the correct course and that it can be online. Jeff Nolan seconded the motion. The Board voted unanimously in favor of the motion.

Compliance File Review for 3320-3321, Leif Jensen

The Respondent was not present. Debra Rudd read the Board summary into the record. Respondent has been under probation with compliance education and mentorship since 3/21/2012. Per the Consent Agreement and Order of Discipline, compliance education included 15-hour course in Basic Appraisal w/exam, 7-hour Sales Comparison Approach, 7-hour Cost Approach and 7-hour 2012-2013 USPAP update course. Appraiser has completed requirements and is requesting the termination of probation. Three files have been audited for the Board. The investigator noted no significant items in the audited reports but did note a few minor mistakes. Given the items noted in the report, the Board requested that the investigator's report be sent to the Respondent. James Heaslet made a motion to terminate probation and mentorship and to have staff send the investigator's report to the Respondent. Frank Ugenti seconded the motion. The motion passed unanimously.

Compliance File Review for Case 3331, Joseph Blagg

The Respondent was not present. James Heaslet read the Board summary into the records. This is before the Board for Permanent Approval of James Brown as a mentor to respondent as required in the Consent Agreement and Order for Probation and Mentorship dated 5/7/13. Temporary approval was granted by the Executive Director on 6/3/13. James Heaslet made a motion to approve James Brown as the permanent mentor for the Respondent. Jeff Nolan seconded the motion. The Board voted to approve the motion.

Compliance File Review for Case 3374, Gwendalynn M. Baker The Respondent was not present. Debra Rudd read the Board summary into the record. During an Informal Hearing at the April 19 Board meeting, the Board questioned respondent's use of old MLS as a method of confirming sales that were not in MLS at the time of the sale. The Board voted to request a log of Respondent's appraisals from the past year, for staff to select 3 appraisals/work files for audit, then to invite the Respondent back. The audit

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Board Meeting Minutes - Continued

revealed additional USPAP violations with the audited reports. Discussion regarding inviting the Respondent back to continue the Informal Hearing resulted in Mike Petrus making a motion to accept the auditor's report and to invite the Respondent back to discuss the findings shown in the report and to continue the Informal Hearing for Case 3374. James Heaslet seconded the motion. The Board unanimously approved the motion.

Compliance File Review for Case 3502, Jonathan George

The Respondent was not present. Mike Petrus read the Board summary into the record. This matter is before the Board for permanent approval of Ann Susko as a mentor to Respondent as required in the Consent Agreement, and Order of Discipline signed 5/22/2013. Debra Rudd granted temporary approval of Ms. Susko on 6/11/2013 pending Board approval. Frank Ugenti motioned to approve, and James Heaslet seconded the motion. All voted in favor of the motion.

12-Month File Review

Jeanne Galvin reported that the documents for Ron Zimmerman are almost complete; Stephen Steitz is pending conference in August; Kevin Rodolico and Edward Measel are pending formal hearing; and Harrison Cox needs to come back before the Board at next month's meeting. The Board ordered staff to bring this case back on the August agenda. She then reported that Donna Hastings is pending formal hearing on August 12th and stated that there are five cases now pending for a formal hearing.

Jeanne Galvin reported that she has one letter pending but otherwise her assignments are up to date.

Executive Director's Report

Debra Rudd reported that there was only one complaint that was extended by the staff. The Complaint statistics are not available and that she will send these out by e-mail. From January of 2013 there has been 67 cases received by the Board, 14 were referred to informal, 5 were referred to formal, 49 cases or 56% were dismissed, and 88 complaints were closed by Board action (which includes cases prior to January, 2013).

She then reported that TB Consulting has been working on getting the online renewal computer program and that hopefully this will be able to be completed by the end of this year. She reported that staff has been working diligently. She stated she was aware of a problem with the Board receiving the investigator's reports in a timely fashion and explained that there was a difference in the Scope of Work that was originally negotiated with the investigator and what has occurred recently. In particular, the scope was expanded to include audits of reports, which was particularly heavy this past month. She asked the Board to verify that the investigator should concentrate on the initial file reviews prior to working on the audits and that the Board acknowledges she may not be able to complete the audits for that month depending on the case load. The Board did acknowledge this fact.

Rules Committee

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Frank Ugenti, the Chairman of this committee reported that they met yesterday and had a very productive day. Jeanne Hann, a Rule Writer and attorney, was introduced to the committee. They decided to focus on the parts of the Rules that affect trainees, then on education, then on AMC's. The committee directed staff to reach out to the AMC's to get their input giving them a copy of the draft. The next meeting will be July 31st at 9:00 a.m. and they will meet in the same room as this meeting.

Application Review Committee

James Heaslet reported to the Board the recommendations that are shown attached to the minutes. (See attached). Mike Petrus motioned to accept the recommendations of the committee. Jeff Nolan seconded the motion. All approved the motion.

Education Committee

Mike Petrus reported the recommendations to the full board from the committee meeting that was held the day before. (See attached recommendations). James Heaslet motioned to accept the recommendations from the committee. Frank Ugenti seconded the motion. All voted in favor of the motion.

New Business

Mike Petrus announced the discussion, consideration and possible action regarding a proposed outreach meeting to be held September 6, 2013. The Outreach is to include the AQB Supervisor and Trainee Appraiser course providing 4-hours of continuing education and a possible 3-hour class on this same date to cover current appraisal statute and Arizona Administrative Codes (rules). Debra Rudd stated that she received the Supervisor and Trainee course and was able to confirm that Dennis Badger and Larry Disney would come out to teach this class. In addition to this 4-hour class, the Budget Committee was to recommend from its last meeting to the Board the acquisition of a 3-hour law class to be written by Dennis Badger with the assistance and input from Jeanne Galvin and herself. She asked for a commitment from the Board members that they would be available to attend this function on this date. Jeanne Galvin also mentioned that the Board would need to approve the funds for this course. James Heaslet made a motion to approve the expenditure of funds. Joe Stroud seconded the motion. The motion carried unanimously. Debra Rudd asked the Board members to confirm their attendance. The Board members affirmed that they will attend so that a quorum would be met but asked that Debra Rudd e-mail them the date again.

Mike Petrus then introduced the next item on the agenda which involved a discussion, consideration and possible action regarding a proposed Board member training session to be held September 5th, or September 7th, 2013. Debra Rudd asked if the Board wanted to have a separate meeting either the day before or the day after the Outreach meeting. Dennis Badger and Larry Disney were amenable to doing a separate day of training for the Board. However, given that several of the Board members have now attended the Investigator Training session, she was not sure the Board still wanted to do this. If a commitment could not be made from the Board, this would not take place.

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Board Meeting Minutes - Continued

The next item on the agenda was for discussion, consideration and possible action regarding a Substantive Policy Statement for reciprocity to comply with the Appraisal Subcommittee's requirements. Debra Rudd explained that reciprocity changed as of July 1st, 2013 and that due to the current statute and/or rules before this date, the Substantive Policy will suffice to have us in compliance. Mike Petrus made a motion to approve the Substantive Policy statement, and James Heaslet seconded the motion. All voted in favor of the motion.

Confirmation of Meeting Dates, Times and Locations

Debra Rudd reported that the next meeting for Rules Committee will be July 31st here in this room at 9:00 a.m. The next Committee meetings for Application Review and Education are scheduled for August 15th, and the Regular Board meeting will be August 16th. September 19th is the next scheduled Application and Education Committee meeting date. The Regular Board meeting is scheduled for September 20th in this room. There will not be a Regular Board meeting scheduled for October due to time commitments of Board members who will be attending AARO as was discussed at last month's meeting. The decision of whom will go to AARO and the amount to be spent will be on the next month's agenda for approval.

The Board meeting then adjourned at 4:45 p.m.

**RECOMMENDATIONS
COMMITTEE ON APPLICATION REVIEW**

To: Board of Appraisal

From: Application Review Committee

Date: July 19, 2013

Re: July 18, 2013 Recommendations

I. As a result of its **July 18, 2013** meeting the Application Review Committee makes the following recommendations:

II. **Other Business**

A. Report on number of Arizona Appraisers, Property Tax Agents and AMC's:

	<u>7/2011</u>	<u>7/2012</u>	<u>7/2013</u>
Licensed Residential	411	318	276
Certified Residential	1197	1150	1118
Certified General	804	805	781
July Totals	2412	2273	2175
Nonresident Temporary	85	82	69
Property Tax Agents	360	377	344
Appraisal Management Co.			163

B. To approve Jerilyn Babicky's request for an extension to complete her certified residential application #AR11536. This extension may not exceed August 31, 2013.

III. **Renewal Applications**

1) To find substantively complete:

20829 Calista J. Fiedler

2) To find substantively complete pending additional information:

21580 Walter C. Lambert

3) To find substantively incomplete:

21593 Voda Dragos

IV. **Substantive Review**

A. Certified Residential:

1) To find substantively complete:

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AR11978 Cody J. Turton
AR11979 Michael Santana
AR11989 Richard G. Roller (by reciprocity)

B. Certified General by exam unless otherwise noted

1) To find substantively complete:

AG11567 Steven D. Dickson
AG11985 John F. Howden (by reciprocity)

V. To Approve Applications for License/Certificate Already Issued:

A. Reciprocity

12055 Stacy D. Price
22287 Thomas C. Cotton
31962 Elizabeth A. Knight
31963 Joel C. Baxley
31964 Robert Woods
31965 Buckner J. Harris
31966 Janalyn Kennard

B. Nonresident Temporary

TP41450 Christopher L. McDade
TP41451 Elizabeth A. Knight
TP41452 Nicholas A. Dworecki

VI. AMC Renewal Applications

A. To approve pending additional information:

40055 ISGN Solutions, Inc.

VII. AMC Applications

A. To approve:

AM12000 RPM Appraisal Services, INC.
AM12016 The Appraisal Hub, LLC

VIII. CONSENT AGENDA

To close without prejudice the following appraiser's license/certificate that fail to renew within their 90-day grace period.

10547	James S. Vournas
10719	Karen S. Eastburn
10874	Cari E. Prescott
11252	Christopher Karkoski
11261	Carol C. Bellerose-Rasmussen
11263	Kerry L. Bonham

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11270	Michael C. Ampazis
11780	James H. Duenez
11803	Nate S. Scheuermann
12030	Jeremique J. Clifford
12042	Samuel S. Storm
20395	John H. Scop
20398	Deedra L. Manning
20482	Todd A. Rasmussen
20672	Paul G. Ryan
21537	Adam R. Kowalski
22199	Suhail Y. Tayeb
31833	John M. Wilhelms
31834	David R. Schley
31835	Jeffrey D. Harthun
31837	John E. Carrothers
31839	James M. Bittel
31840	Kenneth W. Voss II
31841	Brent L. Mertz

**RECOMMENDATIONS
COMMITTEE ON APPRAISAL TESTING AND EDUCATION**

TO: Board of Appraisal
FROM: Committee on Appraisal Testing and Education
DATE: July 18, 2013
RE: July 18, 2013 Recommendations

As a result of its July 18, 2013 meeting, the Committee on Appraisal Testing and Education made the following recommendations:

I. CONTINUING EDUCATION – NEW COURSE(S)

- A. Submitted by ***Arizona School of Real Estate & Business***
 - 1. **Supervising Beginning Appraisers**, ABA #xxxx issued on approval, 4 hours
John Dingeman, Jacques Fournier, Gretchen Koralewski, Don Miner, Roy Morris, Ron Schilling, Ann Susko, Richard Turkian, Aaron Warren
- B. Submitted by ***Calypso Continuing Education***
 - 1. **Mold A Growing Concern**, ABA #Dxxxx issued on approval, 3 hours
Francis Finigan

II. QUALIFYING EDUCATION – NEW COURSE(S)

- A. Submitted by ***Appraisal Institute***
 - 1. **Real Estate Finance, Statistics & Valuation Modeling**, ABA #xxxx-08 issued on approval, 15 hours
Ken Lusht
- B. Submitted by ***McKissock LP***
 - 1. **General Appraiser Income Approach**, ABA #Dxxxx-xxx-14 issued on approval, 60 hours
Dan Bradley

III. CONTINUING EDUCATION – RENEWAL(S) – with changes of Instructors

- A. Submitted by ***Arizona School of Real Estate & Business***
 - 1. **Gadgets, Gizmos & Technology**, ABA #0712-1120; 4 hours
John Dingeman
*Kevin McClure

IV. BY CONSENT AGENDA

A. Continuing Education – renewals with no changes

1. Submitted by Appraisal Institute

- a. **Case Studies in Appraising Green Commercial Buildings**, ABA #0612-1088, 15 hours
Theddi Chappell
- b. **Online Analyzing Operating Expenses**, ABA #D0612-1089, 7 hours
William Ted Anglyn
- c. **Online FHA and the Appraisal Process**, ABA #D0612-1092, Distance Education, 7 hours
Craig Harrington
- d. **Online Forecasting Revenue**, ABA #D0612-1093, Distance Education, 7 hours
William Ted Anglyn
- e. **Uniform Appraisal Standards for Federal Land Acquisitions**, ABA #0612-1096, 16 hours
Vincent Dowling
- f. **Valuation of Conservation Easements**, ABA #0612-1097, 33 hours
Frank Harrison

B. Qualifying Education – renewals with no changes

1. Submitted by Appraisal Institute

- a. **Basic Appraisal Procedures**, ABA #D0612-1099-02, 30 hours
Craig Harrington
- b. **General Appraiser Income Approach, Part 1**, ABA #0612-1100-14, 30 hours
Gary Taylor
- c. **General Appraiser Income Approach, Part 2**, ABA #0612-1101-14, 30 hours
Gary Taylor
- d. **General Appraiser Site Valuation & Cost Approach**, ABA #0612-1102-12, 30 hours
Maureen Mastroieni
- e. **Online Basic Appraisal Principles**, ABA #D0612-1104-02, Distance Education, 30 hours
Rich DuBay
- f. **Online Basic Appraisal Procedures**, ABA #D0612-1105-02, Distance Education, 30 hours
Thomas Kirby
- g. **Online Real Estate Finance, Statistics & Valuation Modeling**, ABA #D0612-1106-08, Distance Education, 15 hours
Ken Lusht

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- h. **Online Residential Market Analysis and Highest and Best Use, ABA# D0612-1107-04, Distance Education, 15 hours**
Thomas Kirby
- i. **Residential Report Writing & Case Studies, ABA #0612-1108-07, 15 hours**
Alan Blankenship
- j. **Residential Sales Comparison & Income Approach, ABA #0612-1109-06, 30 hours**
Mark Rattermann
- k. **Residential Site Valuation and Cost Approach, ABA #0612-1110-05, 15 hours**
John Urubek